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AGRICULTURAL COMMODITIES

Agreement Between the
UNITED STATES OF AMERICA
and ZAMBIA

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Signed at Lusaka July 19, 1979

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Minutes of Negotiation

S 9.10:

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ZAMBIA

Agricutural Commodities

Agreement signed at Lusaka July 19, 1979;
Entered into force July 19, 1979.
With minutes of negotiation.

AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND THE GOVERNMENT OF THE REPUBLIC OF ZAMBIA
FOR THE SALE OF AGRICULTURAL COMMODITIES
UNDER PUBLIC LAW 480, TITLE I [1] PROGRAM

The Government of the United States of America and the Government of the Republic of Zambia have agreed to the sale of agricultural commodities specified below. This agreement shall consist of the Preamble, Parts I and III of the agreement signed on August 8, 1978, [2] together with the following Part II:

PART II - PARTICULAR PROVISIONS

I. COMMODITY TABLE:

Commodity	Supply Period (U. S. Fiscal Year)	Approximate Maximum Quantity (Metric Tons)	Maximum Export Market Value ($ Millions)
Wheat/Wheat Flour (Grain Equivalent Basis)	1979	29,000	4.3
Soybean/Cotton-seed Oil	1979	7,000	4.4
Rice	1979	4,000	1.3
		TOTAL	10.0

II. PAYMENT TERMS: CONVERTIBLE LOCAL CURRENCY CREDIT (40 Years)

1. Initial Payment - None
2. Currency Use Payment - None
3. Number of Installment Payments - 31
4. Amount of Each Installment Payment - Approximately equal annual amounts

1 68 Stat. 455; 7 U.S.C. §1701 et seq.
2 Should read "August 4, 1978". TIAS 10590; 34 UST___.

[1] 68 Stat. 455; 7 U.S.C. § 1701 *et seq.*
[2] Should read "August 4, 1978". TIAS 10590; 34 UST

5. Due Date of First Installment - 10 years after date of last delivery of commodities in each calendar year

6. Initial Interest Rate - 2 percent

7. Continuing Interest Rate - 3 percent

III. USUAL MARKETING TABLE:

Commodity	Import Period (U.S. Fiscal Year)	Usual Marketing Requirements (Metric Tons)
Wheat/Wheat Flour (Grain Equivalent Basis)	1979	99,000
Edible Vegetable Oils and/or Oil Bearing Seeds (Oil Equivalent Basis)	1979	8,400
Rice	1979	4,850

IV. EXPORT LIMITATIONS:

A. The export limitation period shall be U. S. fiscal year 1979 or any subsequent U. S. fiscal year during which commodities financed under this agreement are being imported or utilized.

B. For the purpose of Part I, Article III A (4) of the agreement, the commodities which may not be exported are: for wheat/wheat flour--wheat, wheat flour, rolled wheat, semolina, farina, bulgur (or the same product under a different name); for soybean/cottonseed oil--all edible vegetable oils, including soybean oil, peanut oil, sesame oil, sunflower oil, cottonseed oil, rapeseed oil, and any edible oil bearing seeds from which edible oils are produced; and for rice--rice in form of paddy, brown or milled.

V. SELF-HELP MEASURES:

A. In implementing these self-help measures specific emphasis will be placed on contributing directly to development progress in poor rural areas and enabling the poor to

participate actively in increasing agricultural production through small farm agriculture.

B. The Government of the Republic of Zambia agrees to:

1. Continue its efforts to stabilize the economy by undertaking measures designed to:

(a) Reduce the balance of payments deficit;

(b) Reduce the budget deficit;

(c) Reduce inflationary pressures.

2. Reaffirm the need for action to develop the human resources of Zambia through training and education at all levels, including the following categories:

(a) Middle management personnel in the Ministry of Agriculture and Water Development, especially the Department of Agriculture, should continue to be trained in decision making, program implementation, administration, and the technical knowledge necessary to function effectively in government.

(b) Extension workers for village and regional level assignments should continue to be taught basics in agriculture and the diffusion of technology at the farm level.

(c) Research workers and research centers should continue to take advantage of the potentials for international cooperative efforts to compliment and strengthen those areas mentioned in the self-help measures related to research.

(d) Farmers should continue to be included in the extension and education efforts by such methods as village level training meetings, and demonstration of new technologies on locally owned lands.

3. Encourage research programs for the development of improved varieties of food crops and of new uses for food and feed crops and their by-products. These research programs will focus on applying useful technology on small production units so that the small farmer will have the opportunity to reap the research benefits, especially in the following areas:

(a) New, stronger, and more diverse strains of corn should be developed to enhance overall corn production and to guard against further production shortfalls.

(b) The oil seeds program will be encouraged for such crops with proven potential as sunflower seeds. Research should be undertaken to find methods to efficiently produce, process, and utilize oil seeds for both edible oil and as a high protein feed for poultry.

4. Conduct, in cooperation with appropriate national/international organizations and the U. S. Government, namely, the United States Department of Agriculture/United States Agency for International Development, an official review of the current supply, distribution and trade data in the agricultural sector to determine completeness and validity for its utilization for economic development and related research analysis and projection and for Public Law 480-type programming. Particular emphasis will be given to updating supply/demand and trade data required for commodities proposed for P. L. 480 programming.

VI. ECONOMIC DEVELOPMENT PURPOSES FOR WHICH PROCEEDS ACCRUING TO IMPORTING COUNTRY ARE TO BE USED:

A. The proceeds accruing to the importing country from the sale of commodities financed under this agreement will be used for financing the self-help measures set forth in the agreement and for the following economic development sectors: agriculture and rural development.

B. In the use of proceeds for these purposes, emphasis will be placed on directly improving the lives of the poorest of the recipient country's people and their capacity to participate in the development of their country.

DONE at LUSAKA, ZAMBIA, in duplicate, this 19th day of July, 1979.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA

John R. Clingerman
Charge d'Affaires ad interim

FOR THE GOVERNMENT OF THE REPUBLIC OF ZAMBIA

Machila J. Lumina, M. P.
Minister of Finance

MINUTES OF THE NEGOTIATING MEETINGS
BETWEEN THE PARTIES TO THE PROPOSED FY 1979
PUBLIC LAW 480 TITLE I SALES AGREEMENT

DATE : July 9, 1979 at 1500 hours

PLACE : Lusaka, Zambia

ATTENDING: Preliminary meeting

Government of the Republic of Zambia Delegation:

Chairman: Mr. Zimba Chabala, Under Secretary (Technical Cooperation), Ministry of Finance
Mr. E. S. Musonda, Principal (Technical Cooperation), Ministry of Finance
Mr. K. R. Sivaprakasam, Chief, Loans and Investment Section, Ministry of Finance
Mr. J. Mohindra, Legal Advisor, Ministry of Legal Affairs
Major General C. T. Nyirenda, General Manager, TAZARA
Mr. D. E. Mwape, Technical Manager, TAZARA
Mr. N. B. Nyoni, Director, Office of Contingency Planning, Cabinet Office
Mr. G. R. Sinyangwe, Trade Commissioner to Tanzania
Mr. N. P. Magande, Planning Coordinator, Ministry of Agriculture and Water Development
Mr. M. Siwiwaliondo, Purchasing Manager, National Milling Company

Government of the United States Delegation:

Mr. J. F. Hicks, A.I.D. Officer, American Embassy
Mr. H. P. Strong, Regional P.L. 480 Officer, REDSO/EA, Nairobi
Mr. D. Nelson, Assistant Regional P.L. 480 Officer, REDSO/EA, Nairobi

The purpose of the meetings was negotiations between representatives of the Government of the Republic of Zambia and the United States of America for a U. S. Fiscal Year 1979 commodity sales agreement for $10 million under the U. S. Government Public Law 480 Title I program.

The following points were discussed:

I. The U. S. delegation explained:

A. That if commodity prices increase over that calculated, i.e., 29,000 MT wheat/wheat flour (grain equivalent basis) at $4.3 million, 7,000 MT soybean/cottonseed oil at $4.4 million, and 4,000 MT rice at $1.3 million, the quantity of commodities to be furnished under the agreement will be less than that stated. However, should actual prices be lower at the time of purchase, the Government of the Republic of Zambia may purchase up to the total of $10 million worth of the commodities stipulated;

B. That the FY 1979 self-help measures should be viewed as a transition to more meaningful and specific self-help measures linked more directly to Government of Zambia agriculture and rural development efforts which lend themselves to more detailed reporting on GRZ progress in meeting self-help undertakings. In the future, U. S. will give increased emphasis to self-help measures which develop human resources and are tied more closely to basic agriculture research;

C. Upon signature of the agreement, that the Government of the Republic of Zambia should act expeditiously in all matters pertaining to the purchase and delivery of the commodities in order to comply with the supply period of the agreement (U.S. fiscal year 1979, i.e., 1 October 1978 through 30 September 1979);

D. That at least 50 percent of the commodities purchased under the agreement must be shipped on U. S. flag vessels, if available at fair and reasonable rates;

E. That purchase authorizations will be issued only after the U. S. Secretary of Agriculture has determined that (1) adequate storage facilities are available in Zambia at the time of delivery to prevent the spoilage or waste of the commodities, and (2) the distribution of the commodities in Zambia will not result in a substantial disincentive to domestic Zambian productions.

F. Purchases of food commodities under the agreement must be made on the basis of invitation for bid publicly advertized in the United States and on the basis of bid offerings which must conform to the invitation to bid. Bid offerings must be received and publicly opened in the United States. All awards must be consistent with open, competitive and responsive bid procedures;

G. The terms of all invitations to bid, including invitations to bid for ocean freight must be approved by the General Sales Manager, U. S. Department of Agriculture, prior to issuance;

H. That commissions, fees or other payments to any selling agent are prohibited in any purchase of food commodities under the agreement;

I. If the Government of the Republic of Zambia nominates a purchasing agent and/or shipping agent to procure commodities or arrange ocean freight under the agreement, the Government of the Republic of Zambia must notify the General Sales Manager, U. S. Department of Agriculture in writing of such nomination and provide, along with the notification, a copy of the proposed agency agreement. All purchasing and shipping agents must be approved by the General Sales Manager's office in accordance with the new regulating standards designed to eliminate certain conflict of interests;

J. That commodity suppliers are refusing to load vessels when acceptable letters of credit for both commodity and freight supplier are not available at time of loading. This has resulted in costly claims by vessel owners for demurrage and/or detention claims and carrying charges by commodity suppliers. Delays in opening letters of credit and settlement of final 10 percent of freight will also result in higher commodity prices and freight rates. The Government of the Republic of Zambia should assure that appropriate measures will be taken to ensure that operable letters of credit for both commodity and freight will be opened, and confirmed by designated U. S. banks immediately after contracting under each purchase authorization is concluded, and before vessels arrive at loading ports.

K. That as soon as possible after completion of ocean freight contracting, but not later than 48 hours prior to vessel presentation for loading, letters of credit for 100 percent of ocean freight shall be opened by the participant, providing for sight payment or acceptance of a draft in U. S. dollars in favor of the supplier of ocean transportation on the basis of tonnage and rates specified in the applicable charter party or booking note.

L. That if the Government of the Republic of Zambia wishes to continue assistance under P. L. 480 Title I in U. S. fiscal year 1980, an official request supported by an updating of the supply and distribution data should be

forwarded to the American Embassy, Lusaka, as early in the U. S. fiscal year as possible (U. S. fiscal year 1980 - 1 October 1979 through 30 September 1980).

II. The Zambian delegation assured the U. S. delegation that:

A. Arrangements have been made by appropriate authorities of the Government of the Republic of Zambia to relay to its Washington embassy all instructions, information and authority necessary to enable timely implementation of the agreement, including:

(1) Commodity specifications;

(2) Contracting and delivery periods;

(3) Names and addresses of U. S. and foreign banks handling transactions (letters of credit for ocean freight);

(4) Authority to request and sign purchase authorizations and other necessary documents;

(5) Complete instructions/information/authority regarding arrangements for purchasing commodities and contracting for freight (including the appointment of purchasing and/or shipping agents, if applicable); and

(6) Instructions to contact the Program Operations Division, Office of the General Sales Manager, U. S. Department of Agriculture regarding the foregoing.

III. The delegations agreed that in order to assure timely and complete submission of compliance reports, it is agreed that with respect to the self-help reports, the Ministry of Agriculture will report on progress in implementing the undertakings and submit a report to the Ministry of Finance who will in turn submit this information to the American Embassy. It was also agreed that National Milling Company and Refined Oil Products (Zambia) Limited (ROP) will follow the same procedure in preparing quarterly UMR reports and shipping and arrival reports.

IV. The Zambian delegation expressed appreciation for the expeditious arrangements completed under the FY 1978 agreement for the reimbursement of the ocean freight differential and requested that similar collaboration and courtesies be extended by the U. S. Department of Agriculture for the FY 1979 agreement.

V. The Zambian delegation understands the usual marketing requirements (UMR) and acknowledges that the levels in the proposed agreement are within the range of commercial import requirements and anticipated commercial purchases. The Zambian delegation drew the U. S. delegation's attention to the Government's past firm commitments to commercial purchases which were delayed due to port and inland transportation constraints considered beyond the Government of the Republic of Zambia's control. The U. S. delegation acknowledged the existing port and inland transportation constraints and consideration for these extenuating circumstances would be given in determining the progress of the Government of the Republic of Zambia's progress towards compliance with the UMR provisions of the agreement.

VI. The Zambian delegation explained that the commodities provided for under this agreement will enter the country at designated points identified by the consignees, National Milling Company and Refined Oil Products Limited. The commodities in turn will be distributed through their networks of licensed wholesalers and then sold by retailers to the public at wholesale and retail prices fixed by the Minister of Commerce under authority of the Control of Goods (Price Control) Regulations. The Zambian delegation assured that the Government enforces retail and wholesale prices through a combination of price control agents and peer pressure. Corrective actions to control offenders, including those who move commodities outside normal distribution channels, include arrests and fines for first offenders and ultimately prohibiting the offender from trading with GRZ parastatal corporations. The Zambian delegation also gave assurances that priority would be attached to the expeditious port clearance and forwarding to Lusaka of P. L. 480 commodities.

FOR THE GOVERNMENT OF THE
UNITED STATES OF AMERICA

John R. Clingerman
Charge d'Affaires ad interim

FOR THE GOVERNMENT OF THE
REPUBLIC OF ZAMBIA

Machila J. Lumina
Minister of Finance

GPO: 1985 49-271 (12800)